

Message Text

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ACTION AF-06

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 OPIC-03 AGR-05 /105 W
----- 081103

R 180941Z JUN 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9781

INFO AMEMBASSY BEIRUT

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E.O.: 11652: N/A

TAGS: ENRG, BEXP, BMEP, EIND, NI

SUBJ: MAJOR PROJECTS: NIGERIAN PETROCHEMICALS AND FERTILIZER

BEIRUT FOR CLEW

REF: LAGOS 10658 OF NOVEMBER 19, 1974

BEGIN UNCLASSIFIED

SUMMARY: NIGERIAN PETROCHEMICALS AND FERTILIZER PROJECTS ARE ABOUT WHERE THEY WERE SIX MONTHS AGO (REFTEL) EXCEPT MINISTRY OF INDUSTRIES MAY BE ON VERGE OF ENGAGING CONSULTANTS TO HELP SELECT TECHNICAL PARTNERS FOR EACH PROJECT -- AND POSSIBLY ALSO FOR GAS GATHERING. END SUMMARY.

1. EMBASSY OFFICER AND USDOC SURVEY TEAM CHIEF MET WITH DR. A.A. OYEKAN, PRINCIPAL ASSISTANT SECRETARY, CHEMICAL UNIT MINISTRY OF INDUSTRIES, MAY 28 TO INQUIRE ABOUT FMG PLANS FOR DEVELOPMENT OF PETROCHEMICAL AND FERTILIZER INDUSTRIES. STATUS LIMITED OFFICIAL USE

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OF BOTH PROJECTS IS SAME AS REPORTED REFTEL EXCEPT AS NOTED BELOW.

WHEN ASKED, OYEKAN CONFIRMED THAT MININDUSTRIES IS NEGOTIATING CONTRACTS WITH CONSULTANTS, WHO, HE SAID, WOULD PLAY BACKROOM ROLE IN HELPING THE MINISTRY CHOOSE TECHNICAL PARTNERS. HE ALSO SAID MININDUSTRIES WAS PROCEEDING WITH ITS OWN PLAN TO GATHER NATURAL GAS IN THE PORT HARCOUT AREA. SINCE THE MININDUSTRIES PROJECTS, TAKEN TOGETHER, WOULD CONSUME 100 PERCENT OF THE GAS GATHERED, HE SAID THERE WOULD NOT BE ANY CONNECTION BETWEEN THE MININDUSTRIES PROJECTS AND THE TWO LNG PROJECTS OF THE MIN-INDUSTRY OF MINES AND POWER. EVENTUALLY, THE MININDUSTRIES PROJECTS MIGHT CONSUME AS MUCH AS 500 MILLION CUBIC FEET OF GAS PER DAY.

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2. PETROCHEMICALS: OYEKAN CITED FOUR U.S. COMPANIES WHICH STILL IN RUNNING AS TECHNICAL PARTNER - HERCULES, B.F. GOODRICH, DIAMOND SHAMROCK, AND NIGERGAS. HE SAID DOWN CHEMICAL COULD NOT ACCEPT MORE THAN 20 PERCENT GOVERNMENT EQUITY AND HAD HAD TO DROP OUT, AND HE DESCRIBED HERCULES' INTEREST AS "LUKE-WARM." B.F. GOODRICH HE WOULD BE SEEING THE FOLLOWING WEEK. NIGERGAS HE DESCRIBED AS A GROUP OF AMERICAN COMPANIES FROM CINCINATI, OHIO, HEADED BY MESSRS. CHRISTMAN AND HEFNER.

3. FERTILIZER: OYEKAN CITED TWO U.S. COMPANIES WHICH STILL IN RUNNING AS TECHNICAL PARTNER - OMNIFORM AND INTERNATIONAL PETROLEUM PLANNING COMPANY. HE IDENTIFIED OMNIFORM AS SUBSIDIARY OF W.R. GRACE. IPPC IS CONSULTING FIRM WHICH REPRESENTS AGRICO DIVISION OF WILLIAMS INTERNATIONAL).

4. OYEKAN DECLINED TO IDENTIFY THE NON-AMERICAN CONTENDERS FOR THE PETROCHEMICAL AND FERTILIZER PROJECTS, BUT A CONFIDENTIAL INDUSTRY SOURCE SAYS HE UNDERSTANDS THAT ICI, SHELL CHEMICALS, SUMITOMO, AK ZIDO, AND CRF CHEMIE ARE ACTIVE (ALONG WITH BF GOODRICH AND DIAMOND SHAMROCK) AND THAT SMPA, DUPONT, BASF, HOERST, AND MONTEIDISON ARE AMONG THOSE WHOSE INTEREST HAS WANED. SAME SOURCE SAYS MININDUSTRIES ON VERGE OF CONSULTANCY CONTRACTS WITH CHEM SYSTEMS FOR PETROCHEMICALS, WITH SCIENTIFIC DESIGN FOR FERTILIZER, AND WITH GAFFNEY-KLEIN FOR GAS GATHERING.

5. FYI: TWO REPRESENTATIVES OF B.F. GOODRICH VISITED EMBASSY
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JUNE 2 BEFORE SEEING OYEKAN. THEY DID NOT REVEAL MUCH ABOUT THEIR COMPANY'S POTENTIAL INTEREST IN THE PETROCHEMICAL PROJECT BUT IMPLIED THAT THEY WERE BASICALLY MARKING TIME TO SEE HOW THINGS GO AND BELIEVED THEIR "COMPETITORS" WERE MOSTLY DOING LIKEWISE.

6. FYI: HERCULES RECEIVED LETTER FROM OYEKAN IN LATE MARCH INVITING COMPANY TO PARTICIPATE IN DISCUSSION LEADING TO "JOINT

PARTNERSHIPS" IN PETROCHEMICALS. IN ABSENCE OF REFERENCE TO SPECIFIC PORTIONS OF THE COMPANY'S DECEMBER 1973 PROPOSALS, HERCULES REQUESTED MORE INFORMATION ON PROJECTED NIGERIAN MARKET FOR POLYESTER FIBERS AND POLYPROPYLENE RESIN AND HAD NOT RECEIVED REPLY AS OF MAY 6.

7. FYI: EMBASSY HAS NEVER HAD DIRECT CONTACT WITH NIGERGAS BUT UNDERSTANDS THAT IT WAS FORMED TWO OR MORE YEARS AGO BY RAYMOND HEFNER (INDEPENDENT OILMAN FROM OKLAHOMA CITY), MALCOLN GROSS (NEW YORK), AND WILLIAM CHRISTMAN (WEST VIRGINIA) AND IN LATE 1973 WAS PLANNING TO MAKE METHANOL (WHILE DOW CHEMICAL HAD BEEN PLANNING TO MAKE ETHYLENE) FROM TAILGASES OF NIGERIAN GAS PRODUCTS' LPG PLANT. NGP WAS JOINT VENTURE OF MINISTRY OF MINES AND POWER AND GUADALUPE GAS PRODUCTS CORP., A SUBSIDIARY OF CRUTCHER RESOURCES CORP., HOUSTON, WHICH CAME APART IN EARLY 1974. SEE LAGOS 1310 OF FEB 14, 1974. UNTIL INFORMED BY OYEKAN, EMBASSY HAD NOT BEEN AWARE THAT NIGERGAS HAD BECOME CANDIDATE FOR EITHER OF THE MININDUSTRIES GAS PROJECTS. EMBASSY HAS SUBSEQUENTLY LEARNED THAT HEFNER, HIS LAWYER, AND AN ENGINEERING ASSOCIATE FROM CLEVELAND, OHIO, VISITED EXIM BANK AND THE DEPARTMENT ON MAY 28 TO DISCUSS A POSSIBLE CONTRACT WITH MININDUSTRIES TO PRODUCE METHANE (METHANOL?), AMONIA, AND UREA. SO FAR AS EMBASSY AWARE, HEFNER'S COMPANY IS DISTINCT FROM COMPANY OF SAME NAME IN ENUGU, EAST CENTRAL STATE, WHICH MANUFACTURES INDUSTRIAL GASES (OXYGEN AND ACETYLENE). END FYI.

8. COMMENT. MININDUSTRIES IS IN CONTACT WITH A NUMBER OF COMPANIES AND MIGHT CONCLUDE TECHNICAL PARTNERSHIP WITH ONE OF THEM AT ANY TIME. EMBASSY DOES NOT SENSE, HOWEVER, THAT EITHER THE PETROCHEMICAL OR THE FERTILIZER PROJECT IS MUCH FARTHER ALONG THAN, SAY, SIX MONTHS AGO. DEPARTMENT OF COMMERCE THEREFORE STILL HAS OPPORTUNITY TO INFLUENCE EVENTUAL LIMITED OFFICIAL USE

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CHOICE OF DESIGNER AND EQUIPMENT PROCUREMENT BY HELPING TO FIND COMPANY OR CONSORTIUM TO BECOME TECHNICAL PARTNER (REFTEL). EMBASSY DOES SENSE THAT MININDUSTRIES, HAVING WAITED FOR MMP'S LNG PROJECTS TO GET GOING AND SEEING THEM BOG DOWN (LAGOS 3856), IS PROBABLY NOW TRYING TO FORGE AHEAD BY TALKING OF OWN GAS-GATHERING SYSTEM. OF COURSE THIS COMPLICATES THE GAS-GATHERING SYSTEM NOW UNDER DISCUSSION WITHIN MMP (LAGOS 4269, STATE 134181) BUT SUCH COMPLICATIONS ARE MERELY TYPICAL OF THE BAD WORKING RELATIONS WHICH HAVE EXISTED FOR SOME TIME BETWEEN THE TWO MINISTRIES, AND NO ONE CAN YET PREDICT WHEN ALL OF THE NECESSARY ELEMENTS (BOTH MINISTRIES, CONSULTANTS, AND TECHNICAL PARTNERS) WILL GET TOGETHER AND ACTUALLY IMPLEMENT ONE OF THE MININDUSTRIES GAS PROJECTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FERTILIZER INDUSTRY, TRADE PROMOTION, CHEMICALS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LAGOS05682
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750212-0306
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750639/aaaabjfr.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LAGOS 10658, 75 OF NOVEMBER 19, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 AUG 2003 by izenbei0>; APPROVED <03 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECTS: NIGERIAN PETROCHEMICALS AND FERTILIZER BEIRUT FOR CLEW
TAGS: ENRG, BEXP, EIND, NI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006